Ontario

Ministry of Education

Canada-Wide Early Learning and Child Care Guidelines

For Consolidated Municipal Service Managers and District Social Services Administration Boards

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HIGHLIGHT OF CHANGES

<u>Definition</u>

- Added: Definition for "enrolment date".

<u>Section 1 – Participation</u>

- Added: As of January 1, 2023, new licensed programs and/or new spaces for existing licensees must be consistent with the CMSM/DSSAB's Directed Growth Plan to be permitted to enrol in CWELCC.
- Added: CMSM/DSSAB required to ensure enrolled licensees who received floor plan approval from the ministry related to increases in capacity prior to January 1, 2023 are supported with sufficient CWELCC funding to enable the licensing revision to proceed.
- Added: Licensed child care centres participating in CWELCC must have a CWELCC service agreement with the CMSM/DSSAB in the areas they provide care, whereas licensed home child care agencies must have a CWELCC service agreement with the CMSM/DSSAB where their head office is located.
- Added: Amendments made under O. Reg. 137/15 have expanded reasons that CMSMs/DSSABs may decline a licensee's application for enrolment.
- Added: As per the CWELCC agreement, the proportion of not-for-profit licensed child care spaces for children age 0 to 5 must be maintained at 70% or increased by the end of the CWELCC agreement.

<u>Section 2 – Accountability</u>

- Added: For newly enrolled licensees, CMSMs/DSSABs must provide funding only for the portion of the year between the enrolment date and December 31, 2023.
- Added: CMSMs/DSSABs must provide funding with due consideration to operating capacity changes of the licensee during the year and work with new licensees to ensure adequate funding is provided up to licensed capacity.
- Added: CMSMs/DSSABs must review diligently licensees' operating capacity and consider the impact of vacancies to variable costs, fixed cost, semi-fixed cost. Where there are vacancies, CMSMs/DSSABs should recover the variable and semi-fixed costs not incurred by the licensee and return to the ministry.
- Clarified: CMSMs/DSSABs must ensure the base fees used for the calculation of fee reduction are the licensee's base fees frozen since March 2022.
- Added: CMSMs/DSSABs must have policies and plans in place for the intake of applications and administration of funding to licensees participating in CWELCC.
- Added: CMSMs/DSSABs must reconcile and recover excess funding from a licensee upon termination of a service agreement (where a previously enrolled licensee opts out of CWELCC).
- Removed: Similar to 2022, the ministry has allocated CWELCC funding for 2023 to CMSMs/DSSABs based on licensed capacity.
- Removed: CMSMs/DSSABs have been funded to support licensed capacity as of August 31, 2022 for child care centers and enrolment as of March 31, 2022 for licensed home child care.
- Added: Information on the revised CWELCC base allocation to align with enrolled spaces, "up to 2% flexibility" and clarifying that no adjustments made to the CWELCC administration.
- Added: Information and example scenarios on 2023 CWELCC allocation adjustment.
- Added: CMSMs/DSSABs financial flexibility may be afforded by the difference between licensed capacity and operating of CWELCC-enrolled centres, de-enrolment of CWELCC-enrolled licensees and "up to 2% flexibility" provided by the ministry.
- Added: CMSMs/DSSABs should monitor take up and estimate their CWELCC funding requirements throughout the year.

<u>Section 3 – Administrative Spending Guidance</u>

- Added: Funding provided to support start-up grant must not be used to support CMSMs/DSSABs' administrative costs.

Section 4 – Fee Reduction

- Added: For licensees who did not enrol in 2022 and are opting in for 2023, the base fee for the purposes of fee reduction will be the base fee in effect during the 2022 fee freeze (even if fees increased in the interim).
- Clarified: Newly enrolled licensees in 2023 will be required to directly reduce base fees by 52.75% and funding should be provided accordingly. Funding should not be provided towards a 25% rebate.
- Added: Newly enrolled licensees should only receive funding starting the date of enrolment and with due consideration to operating capacity.

Section 5 – Fee Subsidy – Parental Contribution Reduction

- Clarified: The ministry provides each CMSM/DSSAB with an overall aged 0-12 fee subsidy target. Based on that target, CMSMs/DSSABs can determine the split between 0-5 years old and 6-12 years old based on local needs and demographic changes.

Section 7 – Cost Escalation

- Clarified: Formula description updated to include licensees who did not enrol in 2022 but enrolled in 2023 and consideration for new licensees in 2023.
- Added: Cost escalation funding should be provided only for the portion of the year between the enrolment date and December 31, 2023 for newly enrolled licencees.

Section 8 – Start-up Grants

- Added: New section on Start-up Grants

CWELCC – Technical Paper:

- Added: Revised allocation based on CWELCC enrolments as of December 31, 2022 and additional funding provided to support directed growth in 2023.
- Added: Explanation on how fee reduction and workforce compensation allocation adjustments were made based on CWELCC enrolments as of December 31, 2022.
- Added: Explanation on how fee reduction and workforce compensation allocation was calculated for 2023 directed growth.
- Added: Explanation on how additional administration funding is being provided for directed growth in 2023.

DEFINITIONS

In this guideline, the following terms will have the following meanings:

"Base fee" means any fee or part of a fee that is charged in respect of a child for child care, including anything a licensee is required to provide under the *Child Care and Early Years Act, 2014 (CCEYA),* or anything a licensee requires the parent to purchase from the licensee, but does not include a non-base fee.

"**CMSM/DSSAB**" means a Consolidated Municipal Service Manager/District Social Services Administration Board (CMSM/DSSAB) designated as a Service System Manager as defined in the CCEYA.

"**CWELCC**" means the Canada-Wide Early Learning and Child Care System for early years and child care funding provided for in an agreement entered into by the Province of Ontario and the Government of Canada.

"Eligible child" means (a) any child, until the last day of the month in which the child turns six years old, and (b) up until June 30 in calendar year, and child who, (i) turns six years old between January 1 and June 30 in that calendar year, and (ii) is enrolled in a licensed infant, toddler, preschool or kindergarten group, a licensed family age group, or home child care.

"**Funds**" means the money the ministry provides to the CMSM/DSSAB to allocate pursuant to the CWELCC System.

"**Licensee**" means a home child care agency or child care centre-based operator as defined in the CCEYA.

"**Licensed Capacity**" means

- For a child care centre, the maximum number of children, including the number in each age category, permitted to be receiving child care in the child care centre child care at one time as set out in the licence of the child care centre.
- For home child care, the maximum number of children permitted to be receiving child care in the home at one time as set out in the agreement between the licensed home child care agency and home child care provider.

"Non-base fee" means any fees charged for optional items or optional services, such as transportation or field trips, or any fees charged pursuant to an agreement between the parent and the licensee in respect of circumstances where the parent fails to meet the terms of the agreement (e.g., fees for picking up a child late, fees to obtain items that the parent agreed to provide for their child but failed to provide), as defined in the CCEYA.

"**Operating Capacity**" means the number of children the centre/home child care is planning to serve as per the licensee's staffing complement and budget, to a maximum ceiling of the licensed capacity.

“**Enrolment date**” means the date when the CWELCC service agreement becomes effective, and it normally is the date when the agreement is executed by the CMSM/DSSAB and the licensee.

OVERVIEW & KEY PRINCIPLES

This document ("CWELCC Guidelines") is to be used as a technical document for service system managers to administer the Canada-Wide Early Learning and Child Care (CWELCC) Agreement between the Province of Ontario and the Government of Canada in 2022.

The document outlines the parameters and general principles under which the Ministry of Education (the ministry) will flow funding to CMSMs/DSSABs in 2023 under CWELCC, and describes the requirements of the funding, including obligations for CMSMs/DSSABs.

Nothing in these CWELCC Guidelines detracts from the licensee's obligations under the CCEYA or any other applicable legislation and in the event of a conflict, the legislative requirements will prevail.

Direction outlined in the Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2023) remains in place, except for investments described in this document. In the event of a conflict between this document and the Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline (2023), this document will prevail.

When implementing these CWELCC Guidelines, the following overarching principles should be kept in mind:

1. **Quality Focused:** A primary focus in implementing the agreement and these CWELCC Guidelines must be on ensuring the delivery of high-quality child care, as defined in the *CCEYA*.

2. **Child and Family Focused:** A focus on increasing affordability for parents/guardians with a goal of processing applications on an ongoing basis and getting rebates and cost reductions to parents as quickly as possible.

3. **Protection of For-Profit and Non-Profit Spaces**: Commitment to the protection of for- profit and non-profit child care spaces in the province, helping to support predominantly female entrepreneurs across the province to meet the varying child care needs of Ontarians.

4. **Efficient Administrative System**: Commitment to an efficient administrative system, with collection of minimally necessary information from licensees, to support timely enrolment and implementation of CWELCC.

CANADA-WIDE EARLY LEARNING AND CHILD CARE - SYSTEM

The Government of Canada has identified child care as a national priority to enhance early learning and childhood development, support workforce participation and contribute to economic recovery.

Through its 2021 Budget, the federal government committed to investing in a national child care system with all provinces and territories, as well as Indigenous organizations. As part of this agreement, Ontario will receive $13.2 billion over six years beginning in 2021-22.

Funding under the Canada-Wide Early Learning and Child Care (CWELCC) Agreement will be used to build and leverage the success of Ontario's existing early learning and child care system by increasing quality, accessibility, affordability, and inclusivity in early learning and child care, towards achieving the objectives of:

a) Providing a 25 per cent base fee reduction retroactive to April 1, 2022, building to a 50 per cent reduction in average base fees (based on 2020 levels) for licensed early learning and child care by the end of calendar year 2022 and reaching an average base fee of $10 a day by 2025-26 for licensed child care spaces;
b) Creating 86,000 new high-quality, affordable licensed child care spaces (relative to 2019 levels), predominantly through not-for-profit licensed child care;
c) Addressing barriers to provide inclusive child care; and
d) Valuing the early childhood workforce and providing them with training and development opportunities.

Initial Transition

Ontario is taking a phased approach to implementing CWELCC, with a focus on the immediate objectives of affordability for families and system stability, before moving on to addressing the objectives of increasing accessibility and inclusion over the longer term.

This phased approach will allow the ministry to engage with service system managers and the broader early years and child care sector, provide the time for sector partners to align with the terms and conditions of CWELCC, and enable the ministry to make the necessary implementation adjustments as the early years and child care landscape evolves.

Implementation

Ontario will provide funds to CMSMs/DSSABs to support the objectives for licensed child care programs under CWELCC, and CMSMs/DSSABs will provide funds to licensees.

These CWELCC Guidelines and the funds detailed in Budget Schedule D4 of its associated transfer payment agreement specifically support the objectives under CWELCC and are separate and distinct from Budget Schedules D1, D2 and D3 related to 2023 Child Care, EarlyON and Workforce Allocations.

SECTION 1: PARTICIPATION

1.1: PURPOSE

For 2023, licensees that provide home child care or centre-based programs serving children under the age of 6 (or turning 6 before June 30) in Ontario may apply to participate in CWELCC through their CMSM/ DSSAB, provided their application complies with the requirements of O. Reg.137/15 (s.77.3(2)).

If a licensee decides not to proceed with their application at any time, they may withdraw the application. Once enrolled in CWELCC, if a licensee no longer wishes to continue to participate, they may withdraw from CWELCC and, subject to the terms and conditions of their CWELCC service agreement, they may terminate their CWELCC service agreement with the CMSM/DSSAB.CMSMs/DSSABs must not impose any penalties on licensees for terminating their contract.

1.2: CONTEXT

CWELCC provides Ontario with an opportunity to leverage federal investments to address the priorities important to Ontario's children, families, workers, and businesses.

1.3: ELIGIBILITY CRITERIA

- Licensees must complete and submit an application to the CMSM/DSSAB to demonstrate that they meet the regulatory requirements to be eligible to participate in the CWELCC System.

- The new regulations and changes to the licensing process that took effect December 31, 2022 apply to applicants seeking new licences. The regulations and funding guidelines do not prevent CMSMs/DSSABs from providing those existing licensees who opted out in 2022 with an opportunity to opt in in 2023. These spaces will count towards the CMSM/DSSAB's space creation targets, and are not required to align with the Access and Inclusion Framework.

- Service system managers are also required to ensure enrolled licensees who received floor plan approval from the ministry related to increases in capacity prior to January 1, 2023 are supported with sufficient CWELCC funding to enable the licensing revision to proceed and the new spaces are supported in accordance with Section 4 (Fee Reduction), Section 6 (Workforce Compensation), Section 7 (Cost Escalation). These spaces will count towards the CMSM/DSSAB's space creation targets, and are not required to align with the Access and Inclusion Framework.

- Any licensee that opted out in 2022 has foregone the funding to support a 25% retroactive rebate. Licensees who opt in in 2023 must reduce fees in accordance with the regulation on a go forward basis only, as required by the 2023 Child Care Funding Guidelines.

- As of January 1, 2023, under O. Reg.137/15 (s.77.3(2)), CMSMs/DSSABs have the discretion to deny enrolment to licensees where the program is not consistent with the CMSM/DSSAB's Directed Growth Plan (see Section 1.5.3: Declining an Application).

- All licensees opting into CWELCC will need to demonstrate financial viability to the CMSM/DSSAB. For example, CMSMs/DSSABs may look for where a licensee has accumulated arrears, has not serviced their debt, or are approaching bankruptcy.

- All licensees participating in CWELCC must maintain their child care fees at the rate charged prior to the CWELCC announcement on March 27, 2022 (the 2022 fee freeze) and implement the subsequent fee reductions.

- All licensees participating in CWELCC must maintain existing (pre-CWELCC announcement on March 28, 2022) licensed spaces for children ages 0-5 (e.g., a licensed infant space must remain an infant space). Any revisions or use of alternate capacity must be reported to the CMSM/DSSAB and the CMSM/DSSAB should determine whether this may result in a funding adjustment or recovery from the licensee.

- Licensed child care centres participating in CWELCC must have a CWELCC service agreement with the CMSM/DSSAB in the areas they provide care, whereas licensed home child care agencies must have a CWELCC service agreement with the CMSM/DSSAB where their head office is located.

1.4: IMPLEMENTATION

Licensees applying to participate in CWELCC are required under O.Reg.137/15 to communicate to all parents and staff within 14 days of the CMSM's/DSSAB's notification of the approval or denial of their application.

Funding provided through CWELCC is specific to meeting the CWELCC's objectives. Licensees enrolled in CWELCC are not by default eligible to access 2023 Child Care, EarlyON and Workforce Allocations if they are not already in receipt of this funding. Licensees will, however, continue to be able to apply for the WEG as a prerequisite to accessing CWELCC wage compensation funding for eligible staff.

CMSMs/DSSABs are able to provide Special Needs Resourcing (SNR) funding to support children and families in the CWELCC program through their regular purchase of service process.

Licensees enrolled in CWELCC are encouraged to work with their CMSM/DSSAB to develop a plan to increase access for children in receipt of fee subsidy and children with special needs to the licensee’s child care programs.

CMSMs/DSSABs must ensure that for the duration of the CWELCC service agreement:

- Licensees **maintain their licence** to operate in good standing in accordance with the CCEYA and are not in contravention of the CCEYA. CMSMs/DSSABs are required to stop funding a child care program that has its licence revoked or suspended by the ministry or director, if applicable and in accordance with the terms and conditions of the service agreement.

- Licensees **reduce and set base fees** in accordance with O. Reg. 137/15. Licensees are required per O. Reg.137/15 (s.77.3(4)) to keep a copy of their CWELCC service agreement, in electronic or hard copy format, on the child care premises, and available for ministry inspection.

- Licensees **maintain the aged 0-5 spaces** for which they are receiving fee reduction funding (e.g., a licensed infant space must remain an infant space). Any revisions or use of alternate capacity must be reported to the CMSM/DSSAB and they should determine whether this may require adjusting or recovering funding from the licensee.

- Licensees **complete the annual data collection exercise, currently referred to as the *Licensed Child Care Operations Survey*,** which may be amended from time to time, as required by the ministry, under O. Reg. 137/15 (s.77). CMSMs/DSSABs are required to withhold funding to licensees until the CMSM/DSSAB has confirmed that the information has been submitted. CMSMs/DSSABs will receive confirmation from the ministry upon the licensee’s submission of the information.

1.4.1 New Licensees

Child care operators that obtain their licence after March 27, 2022, are required to set their base fees at or below a regional maximum, as set out by age group pursuant to O.Reg.137/15 of the CCEYA, unless a specific fee amount was communicated to parents before the requirement under the regulation became effective.

These regional maximum base fees apply until one of the two conditions is met: 1) the licensee provides notification to the CMSM/DSSAB that the licensee is not participating in CWELCC, or 2) the licensee receives notice from the CMSM/DSSAB that its application for CWELCC has been accepted in which case the base fees must be reduced (see Section 4: Fee Reduction).

1.4.2 Non-Participation

Licensees that have notified their CMSM/DSSAB that they will not participate in CWELCC may continue to run their operations under the existing provincial licensing and regulatory framework. Licensees that do not participate will not receive CWELCC funding and may continue to set their own parent fees.

Licensees are required to indicate in their parent handbook that they are not participating in CWELCC and must include their fee amounts.

The ministry reserves the right to adjust funding allocations provided to CMSMs/DSSABs based on opt-out rates.

1.5: REPORTING

CMSMs/DSSABs will be required to report to the ministry on the following data for licensee participation in CWELCC on a semi-annual basis. In 2023, the mid-year report must be submitted to the ministry by September 30th (for January 1- June 30, 2023) and final report for the calendar year by January 30th, 2024 (data for 2023 calendar year):

- Total number of spaces created in priority neighbourhoods and/or for priority populations as identified by CMSMs/DSSABs in their Directed Growth plans broken down by age groups of child, auspice and type of setting
- Total number of net new spaces created for licensees who enrolled in CWELCC in 2023 broken down by age groups of child, auspice and type of setting
- Total number of net new spaces supported with start-up grants during the fiscal year, broken down by age groups of child, auspice and type of setting
- Percentage of for-profit and not-for-profit spaces enrolled in CWELCC (please note that for the purposes of CWELCC reporting, all licensed home child care spaces are considered not-for-profit).

CMSMs/DSSABs will be required to report to the ministry on the following data for licensee participation in CWELCC:

- Total number of licensees submitting an application to participate in CWELCC.
- Total number of licensees that have signed a new CWELCC service agreement with the CMSM/DSSAB, including auspice
- List of licensees whose applications have been declined, and the rationale for denying enrolment in CWELCC.

Reports are to be submitted to the ministry at tpa.edu.EarlyLearning@ontario.ca.

1.5.1: Targets

As per the CWELCC agreement, the proportion of not-for-profit licensed child care spaces for children age 0 to 5 must be maintained at 70% or increased by the end of the CWELCC agreement.

To ensure compliance with the CWELCC agreement, targets have been set for each CMSM/DSSAB regarding the proportion of not-for-profit new spaces created as part of the CWELCC space allocation:

- CMSM/DSSABs where less than 90% of their spaces are currently not-for-profit must maintain their rates in new spaces.
- CMSMs/DSSABs where 90% or more of their current spaces are not-for-profit are permitted to reduce their current rate of not-for-profit new spaces to 90%.

1.5.2: Appeals

CMSMs/DSSABs are required to have a local dispute resolution process in place to allow for licensees to bring forward issues regarding CWELCC eligibility and funding decisions.

1.5.3: Declining an Application

Amendments made under O. Reg.137/15 (s.77.3(2)) have expanded the reasons that CMSMs/DSSABs may decline a licensee's application for enrolment to:

- The CMSM/DSSAB believes the child care centre or home child care agency is not financially viable or will not be operated in a manner that will be financially viable; or
- The CMSM/DSSAB believes the licensee will use the funding for improper purposes; or
- If the application for enrolment is submitted on or after January 1, 2023, and the program/space to be created is inconsistent with the CMSM/DSSAB's child care and early years programs and services plan with respect to,

    (i) the demand for child care, and

    (ii) the capacity and locations of existing child care centres and premises where home child care is provided.

CMSMs/DSSABs are required to report to the ministry within five business days all licensees whose applications have been declined and the rationale. CMSMs/DSSABs are encouraged to contact their Early Years Advisor to discuss a funding decision regarding a licensee.

SECTION 2: ACCOUNTABILITY

The framework and parameters described in this section are applicable to the portion of the licensee's child care business for eligible children (i.e., children younger than 6 years old) to support fee reduction, as well as funding for eligible staff to support workforce compensation (see Sections 4 and Section 6 for further information on eligibility).

CMSMs/DSSABs will be provided with a CWELCC allocation under a **transfer payment agreement with the Province** to support base fee reductions for eligible children and workforce compensation in accordance with the requirements under this CWELCC Guideline.

The ministry introduced **a 5 per cent holdback on the 2023 Child Care and Early Years allocations, including CWELCC.** The holdback will be subsequently released upon ministry review as part of the regular 2023 Financial Statements reporting and reconciliation process. CMSMs/DSSABs should let the ministry know if the introduction of this new policy causes any cash flow concerns.

CMSMs/DSSABs must:

- Review the licensee's child care operations for eligible children **for long-term vacancies that continue unfilled** and, as a best practice, provide fee reduction **funding based on the licensee's 2023 operating capacity**. Where the CMSM/DSSAB determines the licensee's operating capacity changes, CMSMs/DSSABs will have the flexibility within their 2023 CWELCC allocation to provide additional funding up to the licensee's licensed capacity.
- For **newly enrolled licensees**, provide funding **only for the portion** of the year between the enrolment date and December 31, 2023 (and ensure no funding is provided toward retroactive rebates).
- Provide funding **with due consideration to operating capacity** changes of the licensee during the year, and work with new licensees to ensure adequate funding is provided up to licensed capacity.
- Review diligently **licensee's operating capacity**, and consider the impact of vacancies to variable costs, fixed cost, semi-fixed costs (such as staffing costs, where applicable).
    - Where there are vacancies, CMSMs/DSSABs should **recover the variable and semi-fixed costs not incurred by the licensee and return** to the ministry.
- Ensure the base fees used for the calculation of fee reduction are the **licensee's base fees that were frozen as of March 27, 2022**.
- Ensure **non-base fees** and their associated costs **are excluded** when determining the funding to be flowed to enrolled licensees.
- Have **policies and plans** in place for the intake of applications and administration of funding to licensees participating in CWELCC.
- Have **policies and procedures** in place as part of their financial review and

reconciliation process with licensees.

- Ensure funding provided to licensees as **operating grants support the CWELCC objectives**.
- Recover any **unspent funding** provided to licensees during the funding year or funding not used for its intended purpose, and return it to the ministry.
- Reconcile and recover excess funding from a licensee upon termination of a service agreement (where a previously enrolled licensee opts out of CWELCC).
- **Maintain their existing municipal investments in child care**, (i.e., CMSM/DSSAB cannot use CWELCC funds to displace municipal spending on child care and early years programs and services that are already approved and in place for 2023).
- Continue to **meet the requirements** related to existing provincial and Ontario-Canada Early Learning and Child Care (ELCC) Agreement funding based on the 2023 Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guidelines.
- Request **audited financial statements** from all child care licensees in receipt of CWELCC funding to enable the CMSM/DSSAB's verification that the funding provided was used for the purposes intended.
- CWELCC funding is being provided to CMSMs/DSSABs **one month in advance** to ensure that adequate cash levels are maintained to support child care licensees. CMSMs/DSSABs are expected to work with licensees as part of their **budgeting and forecasting process** to ensure that **adequate funding** will be provided to licensees to allow them to implement the requirements of CWELCC.
- Funding parameters and controls described above apply to **all licensees** (not-for-profit or for-profit, or directly operated by the CMSM/DSSAB).

  The ministry reserves the right to adjust funding allocations provided to CMSMs/DSSABs based on opt-out rates.

2.1: FUNDING AND ACCOUNTABILITY CONSIDERATIONS FOR LICENSEES

To provide further clarity on funding to licensees, the purpose of CWELCC is not to limit or standardize a licensee's current operations nor is it intended to come at a cost to licensees themselves, as enrolment in CWELCC should not require fundamental changes to program delivery.

The ministry understands that a licensee's cost structure may vary depending on the service and unique care being provided. As a result, CMSMs/DSSABs will provide funding to licensees that participate in CWELCC so they can continue to operate the portion of the child care program serving eligible children based on existing cost structures while reducing their base fees charged to parents.

In 2023, CWELCC funding is designed to fully offset the reduction in revenue from reduced base fees, while also improving compensation for eligible qualified workers, and recognizing cost escalation.

To ensure consistent financial management practices across all licensees, CMSMs/DSSABs should not provide funding to reduce base fees for eligible children in excess of what is required to meet the CWELCC initiatives.

CMSMs/DSSABs should follow this guidance as part of their funding framework with licensees:

- Licensees operating as **for-profit** corporations or individuals **can continue to earn profit** and licensees operating as **not-for-profit** corporations **are permitted a surplus** amount to build reserves or re-invest in the organization.
- Licensees may be subject to **cost escalation** that are beyond the control of the licensee (for example, rent increases) and this may impact their capacity to participate in CWELCC. The ministry has included additional funding of approximately $130M in the 2023 allocations to support cost increases that licensees may face. As such, CMSMs/DSSABs will provide an additional 2.75 per cent to all enrolled licensees, to support increasing costs beyond the revenue replacement. Refer to Section 7 for further details.
- **Information collected** from licensees to support implementation should be kept to the minimum amount necessary to meet the reporting requirements outlined in the CWELCC Guidelines while ensuring financial accountability for public funds is maintained.
- CMSMs/DSSABs should **review** the licensee's child care operations for eligible children for **long term vacancies** that continue unfilled. Funding should be adjusted where long term vacancies are identified and not mitigated. While short term vacancies could be created from time to time when children are transitioning between spaces or rooms, spaces should be occupied most of the time where staff are available and there is demand for spaces. CMSMs/DSSABs should monitor waiting lists and long term vacancies.
- CMSMs/DSSABs have **flexibility to use the funding** provided from their CWELCC funding allocations to support fee reductions, workforce compensation and cost escalation where needed. CMSMs/DSSABs must ensure that adequate funding is available to meet each specific objective.
- In 2023, CMSMs/DSSABs should provide fee reduction funding to licensees based on their projected 2023 **operating capacity** (refer to Definitions section). Where a CMSM/DSSAB determines the licensee's operating capacity changes, CMSMs/DSSABs will have the flexibility within their 2023 CWELCC allocation to provide additional funding up to the licensee's licensed capacity. CMSMs/DSSABs should monitor take-up and estimate their CWELCC funding requirements throughout the year.
- **Excess CWELCC funding cannot be used to support:**
  - fee subsidies,
  - additional administration funding for CMSMs/DSSABs beyond the specified administration allocation provided,
  - expenditures related to 6-12 age groups,

- lowering daily base fees beyond what is required under O. Reg. 137/15, and
- fee holidays (i.e., a period where parents pay no fees to Licensees as CMSMs/DSSABs are covering the fees)

- CMSMs/DSSABs have **been funded to support**:
  - Licensed capacity as of December 31, 2022 of child care centres enrolled in CWELCC as of December 31, 2022.
  - Number of children enrolled in home child care as of March 31, 2022 for home child care agencies enrolled in CWELCC as of December 31, 2022.
  - New spaces as per spaces targets.
- The ministry continues to work to ensure that allocations to service system managers align with enrolled spaces. As a result, the original 2023 CWELCC allocations for fee reduction and workforce compensation as provided to service system managers on December 5, 2022, **have been adjusted to better reflect** space enrolment as of December 31, 2022.
  - Adjustments to the service system managers' allocation was made when the number of licensed spaces divided by the number of licensed spaces assumed in the original 2023 CWELCC allocations was less than 98% or more than 100%.
  - As part of the adjustment, the ministry is providing up to 2% flexibility to support the opening of additional licensed homes up to the capacity identified on the agency licence, and associated spaces.
  - No adjustments were made to the CWELCC administration allocations.
  - The scenarios below help clarify the mechanics of the adjustment calculation:
    - Where X is the number of licensed spaces enrolled as of December 31, 2022, divided by the total licensed spaces assumed in the original 2023 CWELCC allocations within the service system manager's service area.

Scenario	Adjustment	Example
If X was greater than 100% (i.e., enrolled spaces were greater than the original assumption)	Increase to allocation: (X-100%)	If X = 103%, the allocation increased by 3%
If X was between 98% and 100%	No adjustment	If X = 99%, no adjustment to allocation (i.e., CMSMs/DSSABs has 1% flexibility available) If X = 98%, no adjustment to allocation (i.e., CMSMs/DSSABs has 2% flexibility available)

If X was lower than 98%	Decrease to allocation: (98%-X)	If X = 97%, the allocation decreased by 1% (i.e., CMSMs/DSSABs has 2% flexibility available) If X = 80%, the allocation decreased by 18% (i.e., CMSMs/DSSABs has 2% flexibility available)

- CMSMs/DSSAB's financial flexibility may be afforded by:
    a) The difference between licensed capacity and operating capacity of CWELCC-enrolled centres.
    b) De-enrolment such as CWELCC enrolled licensees who close their operations or opt out of CWELCC in 2023.
    c) Up to 2% flexibility provided by the ministry to those CMSMs/DSSABs whose enrolment was less than 100% in 2022.
- CMSMs/DSSABs should monitor take up and estimate their CWELCC funding requirements throughout the year.
- During the term of the CWELCC funding agreement, a licensed child care program **may not exceed two consecutive weeks of closure, and not more than four weeks of closure** within a calendar year where parents are charged full fees. CMSMs/DSSABs have the discretion to further restrict the period of closure (i.e., may not exceed 10 consecutive days) and/or to allow the calculation of closure days to be based on the school year as opposed to a calendar year, as long as the total number of days does not exceed the allowable amount as determined by the province and the CMSM/DSSAB.
- For **closures due to events outside a licensee's control** (i.e., natural disaster/weather event, pandemic, school board strike) the days of closure are not counted toward the two consecutive weeks or four total weeks of closure condition.

  If a program does not charge fees for the closure period, the days of closure do not need to be counted in the limits set out above. In accordance with O. Reg. 137/15 under the CCEYA, licensees must disclose in their parent handbook the times when the services are offered and the holidays observed, the base fee and any non-base fees that may be charged, and whether the licensee is enrolled in CWELCC.
- If a licensee that is a corporation **transfers shares** of the corporation in sufficient numbers that would allow the person acquiring the shares to make a change to the corporation's board of directors, the licensee would remain enrolled in CWELCC and must maintain the applicable base fee.

  If a licensee **sells substantially all its assets** and the purchaser obtains a new licence to operate a child care centre or a home child care agency, they will no longer be enrolled in CWELCC and would be treated as a new licensee entirely.
- Licensees must **charge base fees in accordance with O. Reg. 137/15** for newly issued licences described above under Cap on Fees (i.e., set base fees at or below a regional maximum). Refer to O. Reg. 137/15 for further details.

- Licensees should **apply to participate in CWELCC** in accordance with the process set out by the CMSM/DSSAB **or notify the CMSM/DSSAB and parents** that they do not wish to participate.

The ministry is currently consulting with the child care sector to inform a cost-based funding approach and will be looking to release and implement the revised formula for 2024. The new Child Care Funding Formula (CCFF) for 2024 aims to integrate the current approach for allocating child care funds with the new CWELCC program, to support the need for clarity and transparency.

2.2: FINANCIAL REPORTING PROCESS BETWEEN LICENSEES AND CMSMs/DSSABs

As part of the year-end financial review and reconciliation process with licensees, CMSMs/DSSABs must have policies and procedures in place to ensure that CWELCC funding was used to support the actual cost incurred by a licensee associated with a mandated reduction in a licensee's base fee as defined under O. Reg. 137/15, as well as support for mandated wage increases for eligible staff and cost escalation.

CMSMs/DSSABs must have policies and procedures in place with licensees to fulfill all reporting requirements to the ministry. CMSMs/DSSABs should take reasonable and progressive corrective actions where a licensee does not comply with reporting requirements.

All child care licensees in receipt of CWELCC funding must submit financial information, as well as audited financial statements to the CMSM/DSSAB to verify that the funding provided was used for the purpose intended.

2.3: REPORTING TO THE MINISTRY

CMSMs/DSSABs will be required to report to the ministry in accordance with the ministry's established reporting processes and timelines as set out in the Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline 2023.
For each CWELCC funding initiative (i.e., fee reduction, workforce compensation and cost escalation, start-up grants), CMSMs/DSSABs will be required to track and report on service data and expenditures using CWELCC funding, separately from the 2023 service data and expenditures using provincial and ELCC funding.

The ministry will require a separate tracking of CMSMs/DSSABs expenses related to funding provided to licensees for cost escalation.

2.4: COMPLIANCE AUDITS

CMSMs/DSSABs will be required to undertake audits on a random sample of licensees in receipt of CWELCC funding on an annual basis to confirm that funding has been used for its intended purpose. Note that where a CMSM/DSSAB directly operates child care, audits for those directly operated programs should be performed by a third-party and not the CMSM/DSSAB.

Audit strategies for local implementation should be designed by the CMSM/DSSAB and should include a review of the licensee for compliance related to the policies, parameters and directives as set out in this guideline.

The audit program must focus on compliance to ensure that the goals of CWELCC are being achieved, including reduced base fees being implemented consistently, and to ensure compliance with the workforce compensation requirements including increasing wages to support a mandated wage floor and annual wage increase.

Where the CMSM/DSSAB determines that funding was not used as intended or where the licensee did not meet the terms and conditions set out in the CWELCC service agreement between the CMSM/DSSAB and licensee, the CMSM/DSSAB may recover funding and the licensee may be deemed ineligible to receive future funding.

SECTION 3: ADMINISTRATIVE SPENDING GUIDANCE

3.1: PURPOSE

CMSMs and DSSABs are required to work with enrolled licensees to execute service agreements, flow and reconcile funds and provide oversight to ensure that CWELCC objectives are met.

3.2: ELIGIBILITY CRITERIA

CMSMs/DSSABs have been allocated administration funding in the 2023 transfer payment agreement, to support CWELCC administrative costs.

Funding provided to support fee reduction, workforce compensation, cost escalation and start-up grants must not be used to support CMSMs/DSSABs' administrative costs.

The CWELCC Administration Allocation is in addition to the administration funding provided as part of the 2023 Ontario Child Care and EarlyON Child and Family Centres Service funding allocations.

3.2.1: Eligible Expenses

CMSMs/DSSABs may use administration funding to support costs related to implementation, transition, reconciliation and IT costs associated with supporting CWELCC.

Expenditures deemed reasonable and necessary for the provision of services subsidized by the ministry are admissible in the calculation of the funding eligibility. The expenditures must be supported by acceptable (auditable) documentation that is retained for a period of no less than seven years.

CWELCC administration expenses must represent actual expenses incurred for program administration and may not be expressed solely in terms of a percentage of program expenditures.

For more information on eligible expenditures please refer to the Administration Section of the 2023 Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guideline, which defines the range of administrative expenditures that are eligible for administration funding.

There will be no administration cost sharing requirements on the CWELCC Administration Allocation.

3.2.2: Ineligible Expenditures

Expenses incurred by a CMSM/DSSAB that do not directly support CWELCC administration are ineligible and include the following:

- Costs associated with administering regional quality assessment programs/tools
- Professional organization fees paid on behalf of staff for membership in

professional organizations

3.3: REPORTING

CMSMs/DSSABs must track and report CWELCC administration expenditures separately from other child care administration funding for reporting purposes. CWELCC administration expenditures will be reported and monitored through financial submissions.

CMSMs/DSSABs will be required to report their total CWELCC administration expenditures, which would include support for administration, implementation, transition, and IT costs supporting the CWELCC System.

CMSMs/DSSABs will also report on the following administrative service data in their financial statements' submissions:

- Number of full-time equivalent staff by position
- Number of staff (head count)
- Total salaries associated with each position type
- Total benefits for all staff.

Data and expenditures reported as part of administration in the child care core service delivery should not be reported as part of CWELCC.

SECTION 4: FEE REDUCTION

4.1: PURPOSE

Making child care more affordable for families is a key part of the implementation of CWELCC.

CMSMs/DSSABs will work with child care licensees enrolled in CWELCC to provide operating grants for fee reduction for families.

4.2: OBJECTIVES

A graduated approach to fee reductions began in Spring 2022 as follows:

- A base fee reduction of up to 25 per cent (to a minimum of $12 per day) for eligible children retroactive to April 1, 2022 - Achieved.

- A further base fee reduction to support a provincial average for eligible children of $23 per day, effective December 31, 2022 – Achieved.

- $10 per day average child care base fees for eligible children by March 31, 2026.

4.3: ELIGIBILITY CRITERIA

Fee reduction funding is intended to support children under the age of 6 (0-5 year old children), with some exceptions for children with birthdays early in the calendar year who are 6 years of age but are still enrolled in kindergarten.

More specifically, base fees must be reduced for eligible children, which are defined under O. Reg. 137/15 as:

- Any child, until the last day of the month in which the child turns 6 years old (irrespective of the type of licensed child care program in which they are enrolled); and

- Up until June 30 in a calendar year, any child who,
  - turns six years old between January 1 and June 30 in that calendar year; and
  - is enrolled in a licensed infant, toddler, preschool, or kindergarten group, a licensed family age group, or home child care.

For clarity, all eligible children receiving home child care at a premises overseen by an agency are eligible for the fee reduction (both agency-placed and privately-placed).

4.4: IMPLEMENTATION REQUIREMENTS

4.4.1: Overview

CMSMs/DSSABs must frequently review O. Reg. 137/15 to ensure they are aware of any updates made to the regulation so that they can continue to ensure compliance in support of the implementation of the fee reduction for licensees participating in CWELCC.

4.4.2: Cap on Fees

In accordance with O. Reg. 137/15, a cap on all base fees and non-base fees in child care for eligible children must be maintained by a licensee at a child care centre it operates or at a home child care premise that it oversees.

For home child care providers, until a decision on CWELCC participation is made by the home child care agency, fees for eligible children must be capped at March 27, 2022 levels. This includes fees set by the agency as well as fees set by the provider. While the cap on fees has been communicated publicly by the ministry, agencies may wish to inform providers of their obligation to cap fees in accordance with the regulation and begin collecting fee information in preparation for the enrolment process.

Note that the cap on fees does not apply to fees charged to parents for children who are not eligible (i.e., school age children over 6 years), as these children are not eligible for funding under CWELCC.

Licensees will continue to be subject to the capped fee until one of two conditions is met:

- The licensee notifies their CMSM/DSSAB in writing that they are not participating in CWELCC, or
- The licensee receives notice from the CMSM/DSSAB of the results of its application to enrol in CWELCC.

4.4.3: Additional Information

If a licensee was licensed on or before March 27, 2022, the cap on the base fee and on non-base fees for child care for eligible children is the amount charged to parents on March 27, 2022.

If a licensee becomes licensed after March 27, 2022, the cap on the base fee is based on a regional maximum as set out in O. Reg 137/15, which provides a table of capped fees by program and CMSM/DSSAB. These regional maximum fees would also apply to any new age groups that a licensee begins operating after March 27, 2022 (e.g., they apply to revise their licence to add an infant room), or where a licensee begins operating an age group after March 27, 2022 that the licensee had not operated for at least two years (e.g., a licensee wishes to use an alternate capacity that has not been used recently or re-open a room that was closed during the pandemic). See O. Reg. 137/15 for further details.

Regardless of the maximum fees set out in O. Reg. 137/15, CMSMs/DSSABs should determine whether the maximum fee is a reasonable base fee for new licensees who are subject to these maximums (e.g., it may not have been reasonable for a new licensee who is operating in an area with significantly lower than average costs to have charged the regional maximum fee).

4.4.4: Fee Reduction

For licensees that enrol in CWELCC, O. Reg. 137/15 sets out rules regarding what licensees will be permitted to charge parents as part of their daily base fee.

Licensees enrolled in CWELCC in 2022 were required to reduce their capped base fee by 25 per cent to the floor of $12 per day.

Ontario committed to reducing parent fees for eligible children by an average of 50 per cent of 2020 levels by the end of December 2022. The fee reduction portion of the 2023 allocation will enable a 37 per cent reduction in parent fees, bringing the provincial average fee to $23 per day (50 per cent of 2020 fee).

To support continued savings for parents, effective December 31, 2022, licensees who opted in and reduced their fees by 25 per cent will be required to further reduce their fees to the greater of:

- $12 per day; and,
- an additional 37 per cent on top of their already reduced fees through fee reduction.

In total, this would result in a 52.75 per cent reduction in parent fees relative to March 2022 levels. Note that if this base fee is less than $12 per day, a $12 per day fee should be maintained.

- *Example 1: For a participating licensee whose fee was $50 per day in March 2022, implementing the 25 per cent reduction in 2022 would have reduced their fee to $37.50 per day from April to December. Starting December 31, 2022, the fee would be $23.63 per day. [$37.50 x (1-0.37)]*

- *Example 2: For a participating licensee whose fee was $25 per day in March 2022, implementing the 25 per cent reduction in 2022 would have reduced their fee to $18.75 per day from April to December. Starting December 31, 2022, the fee would be $12 per day, the minimum daily rate.*

CMSMs/DSSABs as well as licensees must ensure that effective December 31, 2022, the additional fee reduction of 37 per cent is in place.

To support the applicable fee reduction, CMSMs/DSSABs will provide funding for licensees. For an illustrative example of how this funding should be provided to licensees, see the table below.

	Prior to CWELCC Enrolment	After Enrolment in 2022 (once base fees were reduced by 25%)	Effective December 31, 2022 (fees are further reduced by 37%)
Base fee charged to parents	$100	$75	$47.25
CWELCC funding to offset the revenue reduction to licensees	N/A	$25	$52.75
Total revenue received by licensee	**$100**	**$100**	**$100**

For clarity:

- For new enrolments in 2023, no funding should be provided towards a 25% rebate that was previously provided to parents before January 1, 2023.
- Newly enrolled licensees in 2023 will be required to directly reduce base fees by 52.75 per cent, and funding should be provided accordingly.

Newly enrolled licenses should only receive funding starting the date of enrolment and with due consideration to operating capacity (e.g., occupancy increases over time). CWELCC funding is being provided to CMSMs/DSSABs one month in advance to ensure that adequate cash levels are maintained to support child care licensees. CMSMs/DSSABs are expected to work with licensees as part of their budgeting and forecasting process to ensure that adequate funding will be provided to licensees to allow them to implement the requirements of CWELCC.

For licensees who opted out of CWELCC in 2022 and enrol for 2023, the licensee's base fee for purposes of the fee reduction is the base fee that applied during the 2022 fee freeze (even if their fees increased in the interim).

The fee reduction on base fees will apply regardless of program type or duration and should be based on the total amount paid per day. In the case of a before and after school program, if parents pay for only before school care, or only after school care, each individual fee must be reduced by an additional 37 per cent on top of their already reduced fees from 2022 (per the examples above) provided that the fee does not go below $12/day. If parents pay for both before and after school care, the overall combined fee must be reduced by the additional 37 per cent based on their already reduced fees in 2022. For example:

	Before CWELCC (per day)	After Enrolment in 2022 (once base fees were reduced by 25%)	Effective December 31, 2022 (fees are further reduced by 37%)
Before School Care Only	$12	Stays at $12	Stays at $12
After School Care Only	$14	Reduced to $12	Stays at $12
Before and After School Care (as a single fee)	$26	Reduced to $19.50	Reduced to $12.29

Licensees are also required to reduce the cost of a full fee space that is occupied by an eligible child receiving fee subsidy. Refer to Section 5 of the CWELCC Guidelines for further details.

If a home child care agency is enrolled in CWELCC, home child care licensees must also charge the parent of an eligible child a base fee determined based on the above. The base fee would apply to children who are placed by an agency and those children that are privately placed in the provider's care. CMSMs/DSSABs should work with agencies to ensure that parents of eligible privately placed children also receive a fee reduction.

CMSMs/DSSABs are not permitted to provide fee holidays (i.e., a period where parents pay no fees as CMSMs/DSSABs cover the fees) with CWELCC funding.

Once licensees are enrolled in CWELCC and reduce their fees to the new base fee, the licensee is required to maintain its new base fee until they are either required to reduce them again, or they are no longer participating in CWELCC. Anything that a parent is required to pay (i.e., mandatory fees) must be included in the base fee.

Non-base fees are not eligible for CWELCC funding and are not subject to the parameters set out above; however, they must meet the definition of non-base fee set out in O. Reg. 137/15.

Fees for children who are not eligible children (e.g., school age children over the age of 6) are not subject to the requirements above.

4.4.5: Funding

The ministry is continuing the revenue replacement approach to support the implementation of the fee reduction that came into effect December 31, 2022. Funding for fee reductions should be provided by CMSMs/DSSABs in accordance with the examples provided in the above section. Also, refer to Section 2 of the CWELCC Guidelines for more information.

4.5: CMSM/DSSAB REPORTING

As part of the regular reporting processes and timelines as described in the 2023 Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guidelines, CMSMs/DSSABs are required to report expenditure and service data to the ministry on expenditures that support fee reduction.

Service data required for Fee Reduction funding includes the following:

- Number of children served through fee reductions (exclude fee subsidy children).
- Average monthly number of children served through fee reductions provided by age group

– i.e., infant, toddler, preschool, etc. (exclude fee subsidy children).

- Number of licensed child care spaces supported with fee reduction by age group and type of setting (i.e., centre or home-based), including full fee spaces occupied by children receiving subsidies.
- Number of child care centres and home providers supported with fee reduction funding (by auspice – i.e., for-profit, not-for-profit, directly operated by the CMSM/DSSAB).

All expenditure and data requirements noted above must be submitted by type of setting (i.e., centre or home-based) and by auspice (not-for-profit, for-profit, directly operated by the CMSM/DSSAB).

SECTION 5: FEE SUBSIDY – PARENTAL CONTRIBUTION REDUCTION

5.1: PURPOSE

Fee subsidy is an essential support for many families that enables parents and caregivers to participate in the workforce or pursue education or training. The ministry has made amendments to O. Reg. 138/15 under the CCEYA to ensure that parents accessing subsidized child care also see financial relief under CWELCC, through a reduction in their parental contributions.

As CWELCC is implemented in Ontario, the fee subsidy model will continue to be an option for families who require financial assistance. O. Reg 138/15 sets out an income test formula that CMSMs/DSSABs must use to calculate the amount of subsidy that can be provided for a family, as well as the amount of money that a family must contribute to the cost of child care (the parent contribution).

No changes have been made to eligibility for access to fee subsidies for recipients of Ontario Works, including Learning, Earning and Parenting (LEAP) participants and Ontario Disability Support Program (ODSP) recipients in approved employment assistance activities. Access for fee subsidy recipients to the parental contribution reductions will depend on whether the eligible child is enrolled with a licensed child care centre or home child care provider that is participating in CWELCC. If applicable, refunds are to be provided to the parent/guardian or temporary caregiver who paid fees to the licensed child care provider.

5.2: IMPLEMENTATION

To ensure an equitable fee reduction is applied to families receiving child care fee subsidy (who do not pay the full cost of a licensed space), amendments under O. Reg 138/15, which require CMSMs/DSSABs to reduce the parent contribution for eligible children (as defined under O. Reg. 137/15 (General)) by 50 per cent (with no floor of $12 for families receiving subsidy).

If a parent has at least one eligible child, as defined in O. Reg. 137/15 (General), who is enrolled in a child care centre or home child care that is part of CWELCC, the CMSM/DSSAB is to reduce the parental contribution amount calculated via the income test for any child care provided on or after December 31, 2022, as follows:

$$A \div B \times C \times 0.50$$

Where,

A is the total parental contribution calculated via the income test
B is the total number of children that the calculated parental contribution pertains to
C is the number of eligible children, who hold a space with a provider that has enrolled in CWELCC, that the parent is required to pay a parental contribution for.

- *Example, if a fee subsidy family has two children aged 7 and 4, the 50 per cent parental contribution reduction would only apply to the 4-year-old. The 50 per cent reduction would then be reduced by half, as it only applies to one of the two children.*

As noted in Section 4, licensees are required to reduce the cost of a full fee space that is occupied by an eligible child receiving fee subsidy. CWELCC fee reductions may be reduced by less than 50 per cent in light of the $12 floor. However, fee subsidy recipients will benefit from a full 50 per cent parental contribution reduction.

CMSMs/DSSABs are required to calculate the parental contribution reduction for fee subsidy families and ensure funds are flowed to the licensee to issue refunds to parents, as applicable.

Subsidized parents will not see a reduction in parental contribution in the case where the child occupies a space with a licensee that is not enrolled in CWELCC.

- *Example: The base fee for a space is $100 prior to enrolment. The space is paid with a parent contribution of $30 and a fee-subsidy funded by the Province of $70.*

  On December 31, 2022, the base fee decreases from the reduced fee of $75 [$100 X (1-25%)] in 2022 by an additional 37 per cent to $47.25 [($75 X (1-37%)] (see table 1 below). The licensee continues to receive $100 in base fee for the space; the parent contribution decreases to $15 in 2023, the fee subsidy funded by the Province in 2023 will be $32.25, and CWELCC funding covers the $52.75 decrease in the base fee (see table 2 below).

Table 1	**Prior to Enrolment**	**Effective December 31, 2022** (fees are further reduced by 37% from 2022 level)
Cost of space (base fee charged to fee paying parents)	$100	$47.25
CWELCC funding to offset the revenue reduction to licensees	-	$52.75
Total revenue received by licensee	**$100**	**$100**

Table 2	**Prior to Enrolment**	**Effective December 31, 2022** (parental contribution is reduced by 50% relative to value prior to enrolment)
Parental contribution	$30	$15 = $30 X (1-50%)
Fee subsidy – Provincial funding (see parameters below)	$70	$32.25 = $100 - $52.75 - $15

CWELCC funding to offset the revenue reduction to Licensees (see table 1 above)	-	$52.75
Total revenue received by licensee	**$100**	**$100**

As a result of the fee reduction, less provincial funding will be required to support the space. The excess provincial funding, previously used to support the fee subsidy space, may not be used to further expand fee subsidy spaces.

Provincial funding used to support fee subsidies must not exceed the **2023 Fee Subsidy Threshold**, which is calculated as the greater of:

- The CMSM/DSSAB’s total 2019 fee subsidy expenditure for children 0-5 years old X 50 per cent, or
- The corresponding expenditures associated with the number of fee subsidy children 0-5 years old, based on the CMSM/DSSAB’s contractual service targets in their 2023 transfer payment agreement.

The ministry provides each CMSM/DSSAB with an overall aged 0-12 fee subsidy target. Based on that target, CMSMs/DSSABs can determine the split between 0-5 years old and 6-12 years old based on local needs and demographic changes.

To respond to identified fee subsidy needs, CMSMs/DSSABs have discretion to approve new fee subsides pertaining to new service agreements, for children 0-5 years old, if their projected fee subsidy costs are at or below the 2023 Fee Subsidy Threshold.

5.3: REPORTING

CMSMs/DSSABs are required to report on service data to the ministry as indicated below:

- Number of children served through the reduction of parental contributions
- All requirements noted above must be submitted by type of setting (i.e., centre or home- based) and by auspice (not-for-profit, for-profit, directly operated).

SECTION 6: WORKFORCE COMPENSATION

6.1: PURPOSE AND ELIGIBILITY

CMSMs/DSSABs will support recruitment and retention of Ontario's child care workforce through improved compensation for low wage earners by introducing an update to the wage floor and an annual wage increase for eligible RECEs.

In addition, workforce compensation funding will be provided to licensees to offset wage increases for non-RECE staff associated with the increased minimum wage that came into effect October 1, 2022.

Where a licensee is participating in CWELCC and eligibility is met based on the criteria set out in this section, workforce compensation funding must be provided by the CMSM/DSSAB to the licensee.

6.1.1 Annual Increase

An annual wage increase of $1/hour is applied to staff whose hourly wage, including Wage Enhancement Grant (WEG), is at or above the wage floor of the year, to a cap of $25/hour.

To receive an annual wage increase, staff must be receiving WEG funding, and their hourly wage including WEG must be below the wage cap of $25 per hour on January 1, 2023 (i.e., base wage plus WEG funding plus annual increase cannot exceed $25 per hour). Benefits should not be included when determining the base wage.

6.1.2 Wage Floor

In 2023, RECE program staff should have a wage floor of $19/hour, and RECE child care supervisors or RECE home child care visitors should have a wage floor of $21/hour.

To be eligible to have their wage raised to the wage floor, staff must be employed by a licensee that is participating in CWELCC and be in one of the following positions:

RECE Program Staff
RECE Child Care Supervisor
RECE Home Child Care Visitor

In addition, eligibility for the wage floor is dependent on staff receiving WEG funding and the annual wage increase, i.e., their hourly wage inclusive of WEG must be below the wage floor and benefits should not be included when determining the hourly wage.

6.1.3 Ineligible Positions

The wage floor and annual increase do not apply to non-RECE program staff and non-program staff such as:

- Cook, custodial and other non-program staff positions.
- SNR-funded resource teachers/consultants and supplemental staff.
- Staff hired through a third party (i.e., temp agency).

The only exception to the non-program staff noted above is if the child care staff member is an RECE and the position spends at least 25 per cent of their time to support ratio requirements as outlined in the CCEYA, in which case the staff would be eligible for the wage floor and annual wage increase for the hours that they are supporting the ratio requirements.

Qualified staff, child care supervisors, or home child care visitors that are director approved to be employed in these positions, but do not have an RECE designation, are not eligible for the wage floor or annual wage increase supported by workforce compensation funding.

6.2 Alignment with Child Care (WEG)

The child care WEG will continue to be provided to support the retention of qualified professionals to deliver affordable, high quality services.

Licensees will be required to apply for WEG to be eligible for the wage floor or annual wage increase under CWELCC. WEG funding will be added to the base wage of staff when considering eligibility for the wage floor and annual wage increase, plus benefits.

***Wage floor examples*:** Wage floor of $19 per hour and wage enhancement funding of $2 per hour.

- *Example 1: RECE program staff with base wage of $16 per hour would qualify to have their wage increase to $19/hour ($16 (Base) +$2 (WEG) + $1 (Workforce Compensation) = $19/hour). Workforce compensation funding of $1/ hour must be provided to bring the wage to the floor of $19/hour.*
- *Example 2: RECE program staff with a base wage of $17 per hour or higher would not qualify to have the wage increase to bring to the floor ($17 (Base) +$2 (WEG) =$19/hour, which is equivalent to the 2023 wage floor). Workforce compensation funding to <u>wage floor</u> is not required, however the RECE will be eligible for the $1/hour <u>annual wage increase</u> in 2023 which result in $20/hour.*

6.3: ANNUAL INCREASE AND WAGE FLOOR IMPLEMENTATION

CMSMs/DSSABs are required to develop a method to determine wage floor and annual wage increase eligibility within their region. In addition, CMSMs/DSSABs are required to monitor compliance of licensees to the wage floor and annual wage increase requirements.

For clarity, to determine the RECE wage eligibility, the following order of operations must be followed:

1. 2022 base wage (by employer)
2. WEG ($2/hour, up to maximum as per WEG guidelines)
3. CWELCC annual wage increase $1/hour, up to $25/hour
4. CWELCC incremental wage floor funding, if applicable

6.3.1 Information to Staff

Upon receiving confirmation of participation in CWELCC from their CMSM/DSSAB, and as new staff are hired, licensees are required to share, in writing, information about the wage floor and annual wage increase with eligible staff. The information must provide eligible staff with an understanding of upcoming annual changes to their wages as a result of workforce compensation funding. At a minimum, the information about wages must include the wage floor and annual wage increases for each year up to and including 2026.

Child care staff employed by licensees who are subject to *Protecting a Sustainable Public Sector for Future Generations Act,* 2019 (PSPSFGA) may not be eligible for an increase in compensation to the wage floor or to the $1 per hour annual wage increase. Licensees are required to meet any applicable obligations under the PSPSFGA.

Please note that some licensees may be subject to the terms of a collective agreement. Licensees should seek independent legal advice on implementing the wage floor and annual wage increase.

6.3.2 Payments to Staff

Licensees must include workforce compensation payments in each pay cheque or payment made. Workforce compensation may not be paid at the end of the year as a lump sum payment.

Furthermore, workforce compensation funding must be considered in addition to and not reduce other planned compensation increases for eligible staff. For example, the wage floor and annual wage increase cannot be used to reduce or offset planned merit increases for eligible staff.

The ministry is providing funding for an overall cost escalation of 2.75 per cent, which can be used to support general wage increases, including increases above the $1/hour, wage increases of non-RECE staff, and wage increases of RECE’s staff whose salaries are $25/hour or higher.

6.3.3 Annual Wage Increase

Licensees are required to increase the hourly wage of eligible staff by $1/hour, plus benefits (as described below), on January 1 of each year from 2023 to 2026. Staff at the wage floor in 2022 will have their hourly wage increased by $1/hour to move to the 2023 wage floor. Staff above the wage floor will have their hourly wage increased $1/hour, up to the $25/hour wage cap. For those staff whose wage falls between $24.01-$24.99/hour, funding will be provided to top up their wage to the $25/hour cap. The $1/hour annual increase should be calculated prior to any employer-based wage improvements.

- *Example 1: RECE program staff with base wage of $15.50/hour would qualify to have their wage increased to $19/hour ($15.50 + $2 WEG + $1/hour annual wage increase plus $0.50 incremental wage floor increase = $19/hour which is the 2023 wage floor).*

- *Example 2: RECE program staff with a base wage of $18/hour would have their wage increased to $21/hour ($18 + $2 WEG = $20/hour). The annual increase of $1/hour is provided to bring the wage to $21/hour.*

- *Example 3: RECE program staff with a base wage of $22.50/hour would have their wage increased to $25/hour ($22.50 + $2 WEG + $0.50 annual wage increase = $25/hour). The annual increase up to $1 per hour is provided to bring the wage to $25/hour.*

6.3.4 Wage Floor

Licensees are required to bring the wage of all eligible staff up to the wage floor identified in the table below. All eligible staff hired during year in question must earn at least the wage floor identified for that year, plus benefits as defined in the table.

The wage floor for 2023, came into effect on January 1, 2023.

Licensees will be permitted to continue to pay eligible staff below the wage floor for thirty-one calendar days after the CMSM/DSSAB notifies them that they are participating in CWELCC. On and after the 32nd day after the licensee is notified by a CMSM/DSSAB of the participation date, the licensee is required to pay eligible staff the wage floor.

Licensees will then be given one additional month (for a total of 61 calendar days from the day they were notified by the CMSM/DSSAB) to provide staff with a retroactive payment for any wages that were below the wage floor, retroactive to the date of their confirmed participation in CWELCC.

Hourly Wage Floor 2022 to 2026*

	2022	2023	2024	2025	2026
RECE Program Staff	$18	$19	$20	$21	$22
RECE Child Care Supervisors or RECE Home Child Care Visitors	$20	$21	$22	$23	$24

*In addition to the hourly wage, staff are required to receive benefits.

CWELCC workforce compensation funding must be used to fund the incremental amount required to bring staff wages to the wage floor. For example, in 2023 a RECE program staff with a base wage of $15.50/hour and WEG funding of $2/hour, would receive workforce compensation funding of $1/hour annual increase plus $0.50/hour incremental wage floor increase calculated as $19/hour (2023 wage floor).

6.3.5 Benefits Funding and Flexibility

Workforce compensation funding includes up to 17.5 per cent in benefits. Benefits of up to 17.5 per cent must be provided to support licensees in meeting their statutory benefit requirements.

Workforce compensation encompasses statutory as well as additional benefits that are provided by the licensee (e.g., additional vacation or personal days). Statutory benefits are benefits licensees are required to provide their staff as determined by the law (e.g., vacation days, statutory holidays, Canada Pension Plan, Employment Insurance).

Once all statutory benefit requirements are met (including up to 2 weeks of vacation and 9 statutory days), any remaining funding within 17.5 per cent can be used to fund other benefit expenses paid by the employer on behalf of the employee.

CMSMs/DSSABs are required to develop a method to allocate the wage floor and annual wage increase funding to include up to 17.5 per cent in benefits. Any residual benefits funding can be used to support funding flexibility for expenses.

6.4: REPORTING

CMSMs/DSSABs will report expenditure and service data through regular reporting processes. This data will be used in part to support Ontario's reporting requirements to the Government of Canada under CWELCC. Reporting includes:

- Total number of RECE program staff, total number of RECE supervisors and total number of RECE home child care visitors supported by the wage floor.

- Total number of RECE program staff, total number of RECE supervisors and total number of RECE home child care visitors supported by the annual wage increase (starting 2023).

- Actual total expenditure on the wage floor paid out to RECE program staff, RECE supervisors, and RECE home child care visitors. Each staff category reported separately.

- Actual total expenditure on the annual wage increase (starting 2023) paid out to RECE program staff, RECE supervisors, and RECE home child care visitors. Each staff category reported separately.

- Actual total expenditure on benefits paid out to RECE program staff, RECE supervisors, and RECE home child care visitors. Each staff category reported separately.

- Number of child care centres or sites supported by the wage floor and/or wage increase.

- Number of home child care agencies receiving funding for wage floor and/or wage increase.

All data requirements noted above must be reported by all licensees and separately for staff serving the following age groups: eligible children (i.e., children under 6 years old), children aged 6 to 12 who are not eligible.

If a staff member is serving both categories, they should be included in the category where they mostly work. In terms of actual total expenditures related to these staff, CMSMs/DSSABs should determine an appropriate methodology that proportionately allocates the expenditures between time spent serving eligible children, and time spent serving children aged 6 to 12 who are not eligible under CWELCC.

6.5: MINIMUM WAGE OFFSET ELIGIBILITY AND IMPLEMENTATION

CMSMs/DSSABs are required to develop a method to determine minimum wage offset entitlements within their region. In addition, CMSMs/DSSABs are required to monitor compliance of licensees to the minimum wage offset requirements.

To be eligible for the minimum wage offset, licensees must be participating in CWELCC and employ staff in the following positions:

- Non-RECE Program Staff
- Non-RECE Child Care Supervisor
- Non-RECE Home Child Care Visitor

In addition, to be eligible for a minimum wage offset, licensees must employ staff in positions that were earning less than $15.50 per hour (not including WEG funding) on September 30, 2022. Positions created after September 30, 2022, are not eligible for the minimum wage offset.

6.5.1: Ineligible Positions

The minimum wage offset will not apply to non-program staff such as:
- Cook, custodial and other non-program staff positions.
- SNR-funded resource teachers/consultants and supplemental staff.
- Staff hired through a third party (i.e., temp agency).

The only exception to the positions listed above is if the position spends at least 25 per cent of their time to support ratio requirements as outlined in the CCEYA. In this case the licensee would be eligible for the minimum wage offset to address the hours that the employee is supporting ratio requirements.

6.5.2: Payment to Licensees

Workforce compensation funding must first be directed to licensed child care centre staff and home child care visitors to increase wages and benefits as described below.

As of October 1, 2022, licensees were required to comply with minimum wage legislation and bring the wages of their staff to $15.50 per hour. To offset the minimum wage increase, CMSMs/DSSABs are required to provide workforce compensation funding to licensees to cover the incremental amount needed to bring wages for eligible staff to $15.50/hour. For example, if an eligible staff was earning $14.50/hour on April 20, 2021, the licensee would receive workforce compensation funding of $1.00/hour plus benefits (as described below) to support that staff's wages.

Workforce compensation funding for the minimum wage offset must be provided to licensees starting the date of participation in CWELCC up to and including 2026.

6.6.1 Funding and Flexibility

Similar to workforce compensation funding, minimum wage offset funding includes up to 17.5 per cent in benefits to support licensees in meeting their statutory benefit requirements.

CMSMs/DSSABs are required to develop a method to allocate the minimum wage offset funding to include up to 17.5 per cent in benefits. Minimum wage offset entitlements require that all statutory benefit requirements are met (including up to 2 weeks of vacation and 9 statutory days). Any remaining funding within 17.5 per cent can be used to fund other benefit expenses paid by the employer on behalf of the employee.

Licensees may increase wages beyond the $1/hour annual increase; however, CWELCC workforce compensation funding may only be used to fund the incremental amount required to bring RECE staff wages to the wage floor and to provide up to $1/hour annual wage increases.

CWELCC wage compensation funding should not interfere with a licensees' salary and compensation decisions or practices, including obligations under collective agreements.

6.7: MINIMUM WAGE OFFSET REPORTING

CMSMs/DSSABs will report expenditure and service data through regular reporting processes. This data will be used to support Ontario's reporting requirements to the Government of Canada under CWELCC. Reporting includes:

- Total number of non-RECE program staff, total number of non-RECE supervisors and total number of non-RECE home child care visitors supported by the minimum wage offset.

- Actual total expenditure on the minimum wage offset paid out to licensees for non-RECE program staff, non-RECE supervisors, and non-RECE home child care visitors. Each staff category is reported separately.
- Benefits paid out to licensees for non-RECE program staff, non-RECE supervisors, and non- RECE home child care visitors. Each staff category is reported separately.
- Number of child care centres or sites supported by the minimum wage offset.
- Number of home child care agencies receiving funding for minimum wage offset.

All data requirements noted above must be reported by all licensees and separately for staff serving the following age groups: eligible children (i.e., children under 6 years old), children aged 6 to 12 who are not eligible under CWELCC but can still receive Workforce Compensation funding – see below.

If a staff member is serving both categories, they should be included in the category where they mostly work. In terms of actual total expenditures related to these staff, CMSMs/DSSABs should determine an appropriate methodology that proportionately allocates the expenditures between time spent serving under 6 years old eligible children, and time spent serving children aged 6 to 12 who are not eligible children.

6.8: ELIGIBILITY FOR PROGRAMS SERVING CHILDREN AGED 6-12

Ontario is contributing funding as part of the Workforce Compensation Allocation which will be used for compensation for staff in licensed child care programs serving children aged 6 to 12, who are currently ineligible to apply for participation in CWELCC, to ensure equity of wages across staff serving different age groups, and to avoid these increases being passed onto parents through higher fees.

Licensees with programs serving children who are not eligible children (i.e., aged 6-12) may apply separately to the CMSM/DSSAB for workforce compensation funding.

For licensees with programs serving any eligible child, including programs serving children 0-12 years old, the licensee must be a participant in CWELCC to access workforce compensation (funded through CWELCC) for eligible staff and home child care visitors, and will be required to adhere to all the parameters of the CWELCC System.

6.8.1 Implementation for Programs Serving Children Aged 6-12

For all staff and home child care visitors meeting the workforce compensation (wage floor, annual increase, minimum wage offset) eligibility requirements detailed above, CMSMs/DSSABs are required to develop an application process to enrol licensees for workforce compensation eligibility within their region. This process can mirror current WEG funding processes.

CMSMs/DSSABs must adhere to the compensation funding parameters detailed above for wage floor, annual increase, and minimum wage offset increases to eligible staff.

CMSMs/DSSABs are required to manage public inquiries related to workforce compensation. To manage these inquiries, CMSMs/DSSABs may wish to post information regarding workforce compensation along with contact information on their website.

Funding provided to licensees for workforce compensation supports staff serving the following age groups: eligible children and children aged 6 to 12 who are not eligible under CWELCC.

SECTION 7: COST ESCALATION

7.1: PURPOSE

The ministry has included additional funding of approximately $130M in the 2023 allocations to support cost increases that operators may face that are beyond the licensee's control that may impact their capacity to participate in CWELCC.

7.2: IMPLEMENTATION

CMSMs/DSSABs will provide cost escalation funding to licensees as follows:

<u>For Child Care Centres</u>

(A x B x C x 2.75%) + (D x 2.75%)

Where,
A = number of eligible child care licensed spaces as of December 31, 2022. For new licensees, this represents the number of eligible licensed spaces as of the enrollment date
B = capped daily base fees (i.e., as of March 27, 2022 for licensees enrolled in 2022 and licensees who opted out in 2022 and enrol in 2023, or regional maximum for new licensees enrolled in 2022 or 2023)
C = number of days the licensee operates in a year
D = licensee's General Operating Grant for 2022 to support children 0-5 years old only, where applicable

<u>For Licensed Home Child Care</u>

(A x B x C x 2.75%) + (D x 2.75%)

Where,
A = number of eligible children enrolled as of December 31, 2022. For new licensed home child care agencies, this represents the number of eligible children enrolled on the date of enrollment with consideration to changes in enrolment during the year
B = capped daily base fees (i.e., as of March 27, 2022 for licensee enrolled in 2022 and licensees who opted out in 2022 and enrol in 2023, or regional maximum for new licensees enrolled in 2022 or 2023)
C = number of days the licensee operates in a year
D = licensee's General Operating Grant for 2022 to support children 0-5 years old only, where applicable

Cost escalation funding should be provided only for the portion of the year between the enrolment date and December 31, 2023 for newly enrolled licenses.

7.3: ELIGIBLE USE

Licensees can only use the cost escalation funding to address operating cost increases beyond the control or discretion of the licensee, such as salaries and wages, benefits, operations and accommodations.

CMSMs/DSSABs must have policies and procedures in place, such as review of budgets, costs trends, and operating expenses, to help them assess whether costs are within the licensee's control or discretion.

7.4: REPORTING

CMSMs/DSSABs are required to report on total expenditure used to support cost escalation to the ministry.

SECTION 8: START-UP GRANTS

8.1: PURPOSE

Ontario's Action Plan for implementing the Canada-Wide Early Learning and Child Care (CWELCC) system includes developing a framework for targeted space creation and providing funding for start-up grants to support the creation of new, affordable child care spaces for children under age six in targeted locations and for populations most in need.

Start-up grants will support directed growth by enabling space creation in neighbourhoods that have had historically lower rates of space availability that may not be accommodated through natural growth.

8.2: FUNDING METHODOLOGY

Funding for start-up grants has been allocated to service system managers proportionally based on targeted growth spaces.

The ministry will provide the start-up grant funding to each service system manager through their 2023-2027 transfer payment agreements. Funding for start-up grants will be paid to service system managers in installments.

8.3: APPLICATION PROCESS

Funding for start-up grants is available to support the creation of new licensed spaces approved for enrolment in CWELCC in alignment with the service system manager's directed growth plan. Licensees, including child care centres and home child care agencies, must apply for start-up grants from the service system manager where the proposed new spaces are located.

Service system managers are responsible for administering the application process. CMSMs and DSSABs must establish an equitable and transparent process for licensees to apply. The application process must capture details on how the projects will improve access to licensed child care in communities with vulnerable children and children from diverse populations including:

- children living in low-income families
- children with special needs
- Indigenous children
- Black and other racialized children
- children of newcomers to Canada
- Francophone children.

The application must include an estimated date for the creation of the new licensed full day spaces, and this date should be within two years of the date of the application.

Home child care licensees may apply for start-up grants through the service system manager where the proposed new homes will be located. If the home child care licensee is seeking to add new homes in excess of their existing licensed capacity, the applicant must have approval from the service system manager to proceed with an amendment to their licence to increase the number of provider homes. For clarity, prior to receiving start-up grant funding, home child care licensees must receive written confirmation from the service system manager that the proposed child care homes are eligible to receive funding under the CWELCC system and that the new homes align with their Directed Growth / service system plans.

When approving applications for start-up grants, service system managers should consider:

- cost effectiveness
- available operating funding
- capacity of program to access funds through other means
- program budget and financial history
- child care licensing history
- current licensed and operational capacity
- age groups
- long-term viability
- investment in quality programming.

The ministry has created a sample Application Form that is intended to assist service system managers in their administration of the start-up grant application process. CMSMs/DSSABs are not required to use this sample application and may wish to consult with their legal counsel to obtain legal advice on the application or the administration process.

8.4: SERVICE AGREEMENTS

Upon approval of the start-up grant application, CMSMs/DSSABs must enter into a service agreement with the applicant.

Service agreements for start-up grants between CMSMs/DSSABs and home child care licensees must include a commitment from the home child care licensee to maintain the number of approved child care spaces in the service area for the duration of the CWELCC agreement, even if the home child care licensee or capacity of home child care licensee changes prior to March 31, 2026.

If the applicant withdraws from CWELCC or ceases their operations, CMSMs/DSSABs must recover the start-up grant funding and return to the ministry as part of regular financial reporting processes.

8.5: ELIGIBILITY CRITERIA

In keeping with the ministry's commitment to support all licensees regardless of auspice, for-profit and not-for-profit child care licensees who are enrolled in the CWELCC system will be eligible to apply for start-up grants.

To support the creation of 8,000 new licensed child care spaces by the end of 2023, CMSMs/DSSABs may provide start-up grants to eligible projects that were completed in 2023 and that align with the service system manager's Directed Growth Plan.

To access funding for start-up grants, CMSMs/DSSABs will require a commitment from the applicant to:

- Participate in the CWELCC system for the remainder of the current CWELCC agreement (March 31, 2026);
- Spend the start-up grant within two years from the date the service agreement between the applicant and the CMSM/DSSAB is executed;
- Prioritize the creation of and access to new licensed full day spaces for children 0-4 years in communities with vulnerable children and children from diverse populations, including, but not limited to, children living in low-income families, children with disabilities and children needing enhanced or individual supports, Indigenous children, Black and other racialized children, children of newcomers to Canada, and official language minorities.

Start-up grants exclude capital projects for licensed child care programs that run during school hours for kindergarten and school-aged children and before and after school programs.

8.6: ELIGIBLE EXPENSES

Start-up grants must fund projects required for child care facilities to be created, retrofitted, renovated, and/or expanded to accommodate a maximum group size for each age grouping for children under the age of six.

CMSMs/DSSABs may enter into service agreements with licensees to flow start-up grant funding, regardless of head office location.

Eligible centre-based applicants will be able to receive a grant of up to $90 per square foot of a new licensed space with a cap of $350,000 for every 50 child care spaces created. Home child care licensee applicants will be able to receive grants of up to $1,000 per CWELCC space created, to a maximum of $6,000 per provider.

Eligible expenses for licensed child care centres include:

- Play materials, equipment, and furnishings (both indoors and outdoors) as outlined in Section 19 of O. Reg. 137/15 under the *Child Care and Early Years Act, 2014*.

- Non-consumable supplies/equipment to support the ongoing regular operation of the child care program (for example, appliances, IT, supplies to support learning environments while adhering to health and safety requirements).
- Renovations, additions, or repairs to licensed child care facilities or potential child care facilities as approved by CMSMs/DSSABs.
- Changes to outdoor play space that are required as a result of the expansion of child care spaces in the centre so that the licensee continues to comply with Section 24 of O. Reg. 137/15 under the *Child Care and Early Years Act, 2014*. Funding to cover the costs incurred to make outdoor play space changes are subject to the overall project cap of $90 per square foot to a maximum of $350,000 per 50 child care spaces created.
- Leasehold improvements.

Eligible expenses for home child care licensees:

- Play materials, equipment, and furnishings (both indoors and outdoors) as outlined in Section 27 of O. Reg. 137/15 under the *Child Care and Early Years Act, 2014* that can be transferred between home child care licensees as required.

Ineligible expenses:

- Purchase of land or buildings
- Debt costs including principal and interest payments related to capital loans, mortgage financing, and operating loans
- Property taxes
- Expenditures related to 6-12 age groups
- School-based child care spaces
- Indoor and Outdoor renovations, additions or repairs to home child care licensee premises or potential home child care licensee premises.

8.7: IMPLEMENTATION

CMSMs/DSSABs have until December 31 of the year the funding is allocated by the ministry to enter into service agreements that will commit funds to applicants. At their discretion, CMSMs/DSSABs could consider applications as committed if the CMSM/DSSAB is likely to approve a project still in the approval process as of December 31.

As part of the regular annual financial reporting process, CMSMs/DSSABs will return to the ministry any funding that was:

- Not committed to applicants by December 31.
- Committed but not paid to applicants by December 31 of the year when the project was supposed to complete.

- Recovered from applicants who withdrew from CWELCC, ceased operations prior to March 31, 2026, or used funds on ineligible expenses.

Where projects continue into the following year (i.e., beyond the year of the expected completion date), CMSMs/DSSABs may continue to fund using the following year's start-up grant allocation, where available.

Wherever possible, CMSMs/DSSABs should provide funding to applicants on demonstrated cash needs, and minimize large advance lumpsum payments. For example, CMSMs/DSSABs could provide funding on milestones such as 20% of the approved funding upon execution of the service agreement, 50% upon confirmation of receipt of construction permits, 20% upon confirmation of structural framing for renovations or additions, and 10% upon confirmation of a child care centre opening for business.

CMSM/DSSAB must ensure applicants complete work and use the start-up grant funding before December 31 of the year when the project was to create the new licensed spaces. For example, an applicant with a service agreement referring to a project set for completion by November 30, 2023 would have until December 31, 2023 to complete the work and use the funds provided; whereas an applicant with a service agreement referring to a project set for completion by January 24, 2024 would have until December 31, 2024.

8.8: ACCOUNTABILITY REQUIREMENTS

CMSMs and DSSABs must track and report start-up grant expenditures separately from other CWELCC and child care administration.

Service system managers must have policies and procedures in place with licensees to fulfill all reporting requirements to the ministry. Service system managers should take reasonable and progressive corrective actions where an applicant does not comply with reporting requirements related to start-up grants. Service system managers should request audited financial statements from all child care licensees in receipt of CWELCC funding, which may also include the service system manager's verification that the funding provided was used for the purposes intended.

Should the applicant fail to use funding in accordance with the terms and conditions of their purchase of service agreement, CMSMs/DSSABs must have policies and procedures in place as part of their financial review and reconciliation process related to the recovery of funds. Any unspent funding provided to applicants during the funding year, or funding not used for its intended purpose, must be recovered by the CMSM/DSSAB and returned to the ministry. This may also include the right to withhold payment or to reduce funding to an applicant when the applicant does not meet the obligations related to the use of start-up grants.

8.9: REPORTING REQUIREMENTS

As part of the regular reporting processes and timelines described in the 2023 Ontario Child Care and EarlyON Child and Family Centres Service Management and Funding Guidelines, CMSMs/DSSABs are required to report financial and service data.

Financial data required for start-up grants include figures as at December 31:

- Funding commitments entered during the year
- Disbursements made on prior year commitments
- Disbursements made on current year commitments
- Funding recovered on prior year commitments from applicants who withdrew from CWELCC, ceased operations prior to March 31, 2026, or used funds on ineligible expenses (amount to be returned to the ministry)
- Funding recovered on current year commitments from applicants who withdrew from CWELCC, ceased operations prior to March 31, 2026, or used funds on ineligible expenses (amount to be returned to the ministry)
- Funding committed but not paid to applicants by December 31 of the year when the project was supposed to complete (amount to be returned to the ministry)
- Funding commitments completed during the year (i.e., fully completed projects)

All expenditure requirements must be submitted by type of setting (centre- or home-based), and by auspice (for-profit, not-for-profit).

Service data required for start-up grants includes the following:

- Number of net new licensed spaces supported with start-up grants by age group (infant, toddler, preschool)
- Number of net new licensed spaces supported with start-up grants broken down by auspice (for-profit, not-for-profit)
- Number of net new licensed spaces supported with start-up grants by type of setting (child care centre, home child care)

APPENDIX A - CANADA-WIDE EARLY LEARNING AND CHILD CARE (CWELCC) FUNDING FORMULA TECHNICAL PAPER

Ministry of Education

CWELCC Funding Formula: Technical Paper 2023

Purpose

To support greater transparency for system users, this paper contains details of the underlying formulae and criteria used in calculating the 2023 Canada-Wide Early Learning and Child Care (CWELCC) Allocations to CMSMs/DSSABs.

Overview of the CWELCC Funding Formula

The CWELCC funding formula includes two allocations: CWELCC Fee Reduction and Workforce Compensation, and CWELCC Administration.

CWELCC Funding in 2023 (Revised for CWELCC enrolments as of December 31, 2022)

Allocation	Funding ($Million)
Fee Reduction & Workforce Compensation	$1,850
Administration	$26
Total to CMSMs/DSSABs in 2023	**$1,877**

Funding is being provided for cost escalation for both compensation and non-compensation costs through the Fee Reduction & Workforce Compensation Allocation.

To support CWELCC directed space growth in 2023, additional funding is being allocated to support new spaces opening in the year.

CWELCC Directed Growth Funding in 2023

Allocation	Funding ($Million)
Fee Reduction & Workforce Compensation	$57
Administration	$1.3
Total to CMSMs/DSSABs in 2023	**$59**

Fee Reduction

Funding is being provided to CMSMs/DSSABs to support parents, families and communities by reducing fees for eligible children in licensed child care.

CMSMs/DSSABs will work with child care licensees who choose to participate in CWELCC in their regions to provide operating grants that will enable the base fee reduction for families.

The 2023 Fee Reduction funding is intended to support the second step of fee reduction, whereby all Ontario families with eligible children in participating licensed child care will see a fee reduction of up to 50 per cent (to a minimum of $12 per day) compared to the 2020 average fees, by the end of December 2022.

The following data elements are used to calculate the fee reduction component of the CWELCC allocation:

Fee Reduction Data Elements	Source
Parent fees for eligible children	2022 Child Care Operator Survey (as of March 31, 2022)
Number of licensed child care spaces (infant, toddler, preschool, kindergarten and family age	2022 Child Care Licensing System (as of August 31,
Number of eligible children enrolled in licensed home child care	2022 Child Care Operator Survey (as of March 31, 2022)

A cost escalation factor was integrated into the provincial-level 2023 fee reduction funding calculation by increasing the March 2022 average parent fees and the existing government child care grants for eligible children by 2.75%. The cost of buying down the inflated average parent fee to $23 is the provincial-level 2023 fee reduction funding.

The formula and descriptions below allocate/distribute to CMSMs/DSSABs the 2023 fee reduction funding calculated through the CWELCC costing model at the provincial level. The formula is applied at the operator level and rolled up by CMSMs/DSSAB. The provincial-level fee reduction funding amount is allocated proportionally as per the roll-up amounts.

Centre-Based Child Care Fee Reduction Formula

The fee reduction formula calculates the amount of fee reduction required at the child care centre level and for each age group within each centre. For each eligible age group, where there are licensed spaces, the fee reduction is determined as described below:

2022 Parent Fee	Fee Reduction Formula
If the parent fee reached $12 in 2022	• The fee reduction cost is equal to the cost escalation only (no fee reduction): [2022 parent fee x 2.75%] x number of licensed spaces
If the parent fee did not reach $12 in 2022	• If the parent fee reaches the floor after further reduction, the fee reduction cost is the difference between the inflated fee and the $12 floor: [2022 parent fee x 1.0275 - $12 floor] x number of licensed spaces • If the parent fee does not reach the floor after further reduction, the fee reduction cost is the parent fee reduction plus the cost escalation: [(2022 parent fee x 52.75%) + (2022 parent fee x 2.75%)] x number of licensed spaces

IMPORTANT: The Fee Reduction Formula above illustrates the ministry's methodology for allocating funding to CMSMs/DSSABs. For payments to licensees, CMSMs/DSSABs should refer to Sections 4 and 7.

This is calculated for each eligible age group and child care centre and rolled up to the CMSM/DSSAB level. Age groups included in the calculation include infants, toddlers, preschool, kindergarten and family age group. Kindergarten spaces are assumed to charge a before and after school fee on instructional school days and a full day fee on non-instructional school days. An adjustment is also applied on the centre level for kindergarten spaces that do not operate in the summer months.

Home-Based Child Care Fee Reduction Formula

The fee reduction formula for licensed home child care follows the same approach as the centre-based formula. Enrolment data is used as a proxy for the number of spaces in home child care. Age groups included in the calculation include under 2 years, 2-3 years and 4-5 years. Aged 4-5 enrolment is treated the same as the kindergarten age group in centre- based child care as described above regarding before and after school fee versus full day fee; however, all homes are assumed to operate year round.

Note that CWELCC funding for home-based child care was allocated to CMSMs/DSSABs based on the location of the home child care agency.

Workforce Compensation

Workforce compensation funding is focused on supporting RECE staff. In 2023, for eligible RECE staff working in licensed child care settings, funding is provided for up to $1/hour wage increase, including a $1/hour increase to the RECE wage floor, to a maximum of $25/hour.

In 2023, RECE program staff should have a wage floor of $19.00/hour, and RECE child care supervisors or RECE home child care visitors should have a wage floor of $21.00/hour.

In 2023, non-RECE staff should have a wage floor of $17.50/hour. Funding is being provided for non-RECE staff to cover the increased minimum wage that came into effect October 1, 2022, and therefore support the $17.50/hour existing wage floor ($15.50/hour minimum wage plus $2 WEG funding).

The Workforce Compensation component of the CWELLC allocation in 2023 was derived by the following:

- Using the wage brackets and number of staff in each bracket, assuming a uniform distribution within the bracket.

- For each bracket below the cap of $25/hour the following was calculated:
    - Average for the bracket x number of staff in the bracket to bring them up to the floor, for those making under the floor; and
    - Up to $1/hour total year over year increase, for those making more than the floor.

This results in the following proportional distribution by type of staff:

Proportion	Workforce Compensation Data Elements	Source
83%	Number of RECE program staff that have wages under $25/hour	2022 Child Care Operator Survey
9%	Number of RECE supervisors and home visitors that have wages under$25/hour	2022 Child Care Operator Survey
8%	Number of Non-RECE program staff and supervisors that have wages under $17.50/hour	2022 Child Care Operator Survey

Fee Reduction and Workforce Compensation Allocation Adjustments for CWELCC Enrolments as of December 31, 2022

The Fee Reduction and Workforce Compensation Allocations have been adjusted since the original allocation release on December 5, 2022. The allocations have been adjusted to reflect CWELCC enrolments as of December 31, 2022.

This adjustment has been made in cases where the number of licensed spaces enrolled divided by the total licensed spaces used in the original 2023 CWELCC allocations within the service system manager's region, is less than 98% or more than 100%. As part of the adjustment, the ministry is providing up to 2% flexibility to support additional spaces. Please see scenarios below:

Scenario	Adjustment
X > 100%	Increase to allocation of (X-100%)
X <= 100% and >= 98%	No adjustment
X < 98%	Decrease to allocation of 98%-x

Where X = the number of licensed spaces enrolled as of December 31, 2022, divided by the total licensed spaces used in the original 2023 CWELCC allocations within the service system manager's region.

Fee Reduction and Workforce Compensation Allocation - 2023 Directed Growth

The Fee Reduction and Workforce Compensation Allocation for 2023 Directed Growth will support fee reduction and workforce compensation for the directed growth spaces in 2023.

The funding will be allocated as follows:

$$\frac{A}{B} \text{ x } C \text{ x } D$$

where:
A = 2023 Fee Reduction and Workforce Compensation Allocation (original allocation as released in December 2022)
B = Number of spaces supported with the original allocation as released in December 2022
C = 2023 directed growth spaces
D = 50% to reflect that spaces open throughout the year and do not all require funding for 12 months.

CWELCC Administration Allocation

The CWELCC Administration Allocation is intended to support CMSMs/DSSABs with administrative capacity to implement the goals of the CWELCC.

The allocation for CWELCC Administration totals $26 million in 2023 and is comprised of the following components:

Administration Allocation Data Elements	Benchmark
Base allocation for each CMSM/DSSAB	$65,600 x (1+17.5% benefits)
Number of Licensed Child Care Spaces as of August 31, 2022 per Child Care Licensing System (infant, toddler, preschool, kindergarten and family age group)	$70.32 per space
Home Child Care Enrolment per 2022 Child Care Operator Survey (0-5 years)	$70.32 per enrolment

Additional administration funding is being provided for directed growth in 2023. The 2023 Directed Growth Administration Allocation totals $1.3 million in 2023 and is comprised of the following components:

Administration Allocation Data Elements	Benchmark
Number of spaces – 2023 targeted growth	$70.32 per space

APPENDIX B: CWELCC FUNDING FORMULA - TIP SHEET

This tip sheet is intended to provide tips to CMSMs/DSSABs to assist them in allocating CWELCC funding to the licensees that have chosen to participate in their regions.

General Tips

- Refer to the CWELCC Funding Formula Technical Paper for details on how funding was allocated from the province to CMSMs/DSSABs.
- CMSMs/DSSABs can leverage the province's allocation methodology, to allocate funding to licensees where appropriate.

Fee Reduction

- Retain licensees' information on operating capacity and base fees as of March 27, 2022 for eligible children (ages 0-5) as licensees are required to maintain these spaces at this level and maintain their child care fees at this rate (the 2022 fee freeze rate).
- Retain licensees' information on licensed capacity as of December 31, 2022, as CMSMs/DSSABs will have the flexibility within their 2023 CWELCC allocation to provide funding up to the licensee's licensed capacity.
- As best practice, CMSMs/DSSABs should fund licensees based on the licensee's 2023 operating capacity. In the case where the licensee's operating capacity changes, CMSMs/DSSABs will have the flexibility to provide additional funding up to the licensee's licensed capacity within their 2023 CWELCC allocation.
- The fee reduction came into effect December 31, 2022. As a result, families who have already had fees reduced by 25 per cent through CWELCC must see those fees reduced by a further 37 per cent to a floor of $12 per day.
- The fees of newly licensed licensees that participate in CWELCC will be capped based on regional maximums. These new licensees will be required to reduce their capped fee by 52.75 per cent, which represents the equivalent percentage reduction where a licensee reduces their capped fee by 25 per cent in 2022 and again by 37 per cent starting December 31, 2022.
- The fee reduction calculation <u>should not</u> include cost escalation. The cost escalation amounts should be provided separately based section 7 of this guideline.

Workforce Compensation

- Gather information from licensees on number and type of staff working in each centre, their wages, and estimated hours they will work April to December 2022.
- Allocate funding to licensees to support the wage floor of $19 per hour for RECE program staff and $21 per hour for RECE supervisors and home child care visitors.
- For example, if a RECE program staff has a wage of $18 per hour currently ($16 wage + $2 WEG), then they should be allocated $1 per hour for the estimated hours they will work from January to December 2023, to ensure they receive the floor of $19 per hour.
- Funding has been provided to offset the minimum wage increase for non-RECE staff that took effect in October 2022.

Cost Escalation

- In addition to revenue replacement, CMSMs/ DSSABs will provide an additional 2.75 per cent to all enrolled licensees. The funding is to be provided on the capped daily base fees, number of days the licensee operates in a year as well as the licensee's General Operating Grant to support children 0-5 years old only. Refer to section 7 for details.
- Licensees can only use the cost escalation funding to address operating cost increases beyond the control or discretion of the licensee, such as salaries and wages, benefits, operations and accommodations.